

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: March 15, 2016

To: The Commission
(Meeting of March 17, 2016)

From: Hazel Miranda, Director
Office of Governmental Affairs (OGA) – Sacramento

Subject: **SB 1055 (Hueso) – Payphone Service Providers Committee.**
As introduce: February 16, 2016

RECOMMENDED POSITION: SUPPORT AS SPONSOR

SUMMARY OF BILL

This bill would eliminate the existing Public Utilities (PU) Code section 270(a)(5) to remove the Payphone Service Providers (PSP) Committee Fund.

This bill would also eliminate Public Utilities Code section 279, which created the PSP Committee and directed the use of the Payphone Service Providers Committee Fund.

CURRENT LAW

270. (a) The following funds are hereby created in the State Treasury:

- (1) The California High-Cost Fund-A Administrative Committee Fund.
- (2) The California High-Cost Fund-B Administrative Committee Fund.
- (3) The Universal Lifeline Telephone Service Trust Administrative Committee Fund.
- (4) The Deaf and Disabled Telecommunications Program Administrative Committee Fund.

- (5) The Payphone Service Providers Committee Fund.
 - (6) The California Teleconnect Fund Administrative Committee Fund.
 - (7) The California Advanced Services Fund.
- (b) Moneys in the funds are held in trust and may only be expended pursuant to this chapter and upon appropriation in the annual Budget Act or upon supplemental appropriation.

(c) The commission, in administering the universal service program funds listed in subdivision (a), and in administering state participation in federal universal service programs, is encouraged, consistent with the state's universal service policies and goals, to maximize the amount of federal funding to California participants in the federal programs.

(d) Moneys in each fund shall not be appropriated, or in any other manner transferred or otherwise diverted, to any other fund or entity, except as provided in Sections 19325 and 19325.1 of the Education Code.

279. (a) There is hereby created the Payphone Service Providers Committee, which is an advisory board to advise the commission regarding the development, implementation, and administration of programs to educate pay phone service providers, ensure compliance with the commission's requirements for pay phone operations, and educate consumers on matters related to pay phones, as provided for in commission Decision 90-06-018.

(b) All revenues collected by telephone corporations in rates authorized by the commission to fund the programs specified in subdivision (a) shall be submitted to the commission pursuant to a schedule established by the commission. Commencing on October 1, 2001, and continuing thereafter, the commission shall transfer the moneys received, and all unexpended revenues collected prior to October 1, 2001, to the Controller for deposit in the Payphone Service Providers Committee Fund. All interest earned by moneys in the fund shall be deposited in the fund.

(c) Moneys appropriated from the Payphone Service Providers Committee Fund to the commission shall be utilized exclusively by the commission for the program specified in subdivision (a), including all costs of the board and the commission associated with the administration and oversight of the program and the fund.

AUTHOR'S PURPOSE

The purpose of this bill is to remove codes which are no longer in use. PU 270(a)(5) and 279 established the Payphone Service Providers (PSP) Committee Fund and the PSP Committee, respectively. The PSP Committee and the associated fund are no longer functional.

DIVISION ANALYSIS (Safety & Enforcement Division)

This bill would likely have no impact on CPUC programs, practice and policy. The PSP Committee and the related fund are no longer functional. The current code merely refers to a group and fund which are no in operation.

Payphone Enforcement Efforts

Although the Commission ordered the elimination of the PSP Committee, it concluded in Decision (D.) 08-06-020 that "Payphones have an important role in meeting our universal service goals, and Californians continue to use public payphone, especially in emergency situations." (Conclusions of Law #24). Therefore, the decision ordered that "The duties of the Payphone Enforcement Program are combined with existing enforcement duties within CPSD funded by the fee established by PU Code §431." (Ordering Paragraph #18).

The Commission's Safety and Enforcement Division (SED), formerly called the Consumer Protection and Safety Division (CPSD), fulfills its payphone enforcement duties through targeted inspections to check for compliance with operating requirements in PU Code Sections 741 and 742. Three inspectors, based in Southern, Central and

Northern California, verify that calls can be placed to 911 and to operator service providers, and that collect calls can be made. They also verify that toll free numbers are indeed toll free and that there are adequate signage and proper disclosures for credit card calls. Finally, inspectors check for physical safety (broken glass, protruding wires, etc.).

Inspectors prioritize inspections of payphones often vandalized, located in critical areas such as airports, schools and hospitals, remote areas, and areas recently affected by natural disasters, and payphones that are subject of consumer complaints (SED receives about 50 complaints a year). Consumers who have problems with a payphone can either call the Commission's Consumer Affairs Branch's (CAB) toll free number (1-800-649-7570 or call the SED staff identified on the Commission's website (Brian Hom 415-703-2696).

If an inspector finds deficiencies at a payphone, the inspector sends a corrective action report to the payphone owner for the owner to correct the identified deficiencies, after which the inspector conducts a follow-up inspection to ensure the phone is compliant with operating requirements. In 2015, inspectors conducted 4,969 payphone inspections and found 2,151 deficient payphones. The process of prioritizing inspections of payphones likely to have problems naturally skews the result towards finding deficiencies, which contributes to the high ratio of deficient payphones to those inspected.

Approximately eighty percent of the corrective action reports are complied with by the time the inspectors conduct a follow-up inspection. For the remaining twenty percent, the inspectors work actively with the payphone owners to achieve compliance. The inspectors have established a good working relationship with payphone owners from their greater than 13 years of experience in the field and are able to elicit cooperation in correcting payphone deficiencies. Physical inspections of payphones play an important role in safeguarding the public's access to safe and functioning payphones, especially in emergency situations and in underserved communities. Additionally, the practice of consistent follow-up inspections drives payphone owners towards compliance. Finally, payphone owners are typically responsive to correcting deficiencies identified by the inspectors because they view the corrective action reports as helping them meet the State's operating requirements.

Only the Commission has authority to enforce the PU Codes that govern payphone operating requirements, although other local governments and airports may have different authority over public work activities, consumer protection, and criminal activities related to payphones.

There are approximately 1,156 payphone owners in California. Payphone owners purchase and maintain all of the hardware for the phone, purchase dial tone service from telephone service providers, select the locations, install and remove payphones, and are responsible for maintaining the required signage and disclosures on the

payphones. The Commission does not have authority over the placement, construction, or removal of payphones.

There are currently approximately 27,000 payphones in operation in the state. While the number of payphones has dropped dramatically from earlier years, the rate of decline has slowed in recent years. D.08-06-020 requires pay phone service providers to report pay phone locations and owner information monthly. Providers send electronic submittals to the Commission's Information Management Services Division, whose staff uploads the information to the Payphone Service Provider database. SED staff uses this database to manage the payphone enforcement program.

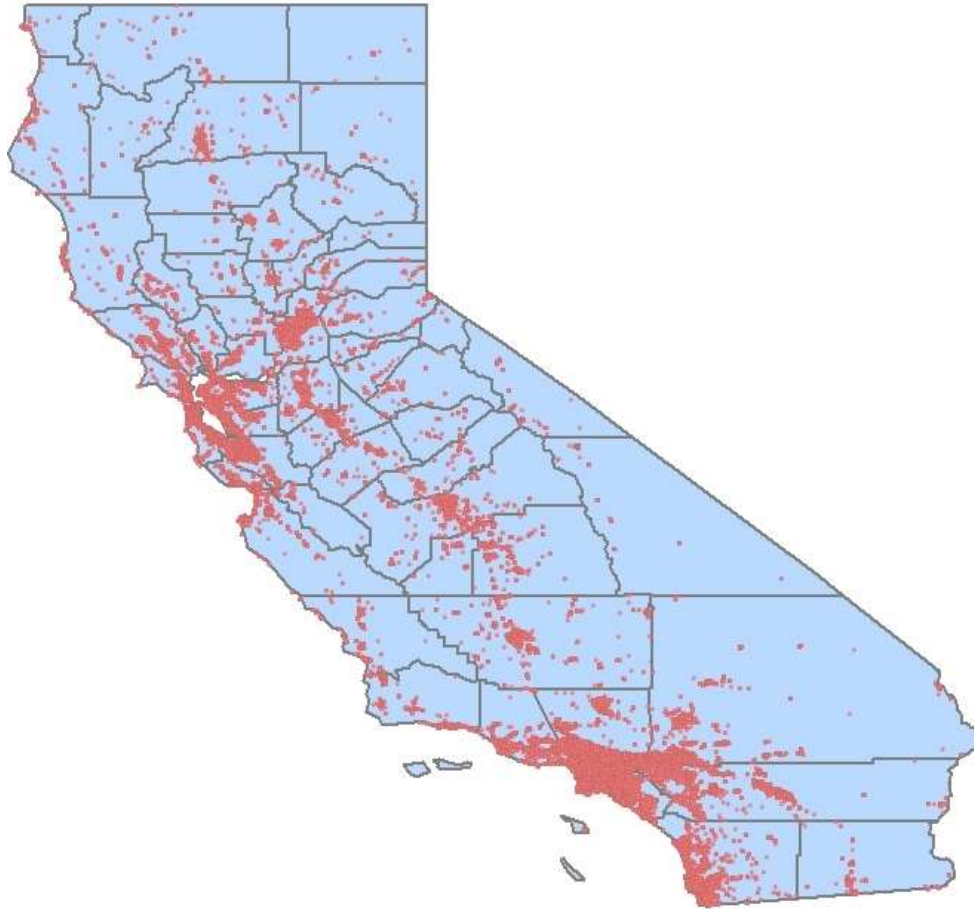
Number of Payphones in California

| Year | Number of Payphones |
|------|---------------------|
| 2007 | 93,869 |
| 2008 | 72,670 |
| 2009 | 53,221 |
| 2010 | 43,566 |
| 2011 | 43,170 |
| 2012 | 38,522 |
| 2013 | 37,735 |
| 2014 | 33,921 |
| 2015 | 27,000 |

Payphones continue to serve an important purpose in California by providing communication and access to essential services in remote and/or low income areas, in schools and prisons, and throughout the state in general. Payphones are also used to make collect calls or as means to access prepaid phone services. When such calls are placed through a payphone, the caller typically dials a toll-free access number and a third party operator connects the call to the destination, and collects the charges either from the person accepting the collect call or from the prepaid phone account of the caller.

Payphones are concentrated in the Los Angeles Basin, San Francisco Bay Area and around the I-5 Corridor.

Location of Payphones in California



SED's Utility Enforcement Branch, under which the payphone enforcement group operates, will be combined with the Commission's Consumer Affairs Branch and Transportation Enforcement Branch to form the new Consumer Protection and Enforcement Division in April 2016.

SAFETY IMPACT

This bill would likely have no impact on safety.

RELIABILITY IMPACT

This bill would have no impact on reliability.

RATEPAYER IMPACT

This bill would have no impact on rates.

Furthermore, the Commission does not regulate the rates of coin-activated or card-activated telephones for public use. The FCC deregulated payphones in 1997, pursuant to section 276 of the Telecommunications Act of 1996. See orders issued in

CC Docket No. 96-128 (re: Implementation of Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996), including FCC Orders 96-388, 96-439, 97-371, 98-481, and 99-7 (summarizing all prior orders).

FISCAL IMPACT

The PSP Committee funds are no longer in the Commission's budget and the Department of Finance is in the process of administratively eliminating the fund and will transfer any remaining monies in the fund (approximately \$5,000) to the General Fund.

CAB does not anticipate the elimination of the payphone committee and its fund to have any impact on CAB's payphone-related consumer contacts. CAB received a total of 15 payphone related contacts in the past two years.

ECONOMIC IMPACT

This bill would likely have no economic impact.

LEGAL IMPACT

There is no legal impact identified.

LEGISLATIVE HISTORY

On September 20, 1988, the governor approved SB 2656, directing the Commission to adopt and enforce operating requirements governing coin-activated and credit card-activated telephones available for public use. This bill established PU Code Section 742, among other provisions. This proposed bill leaves intact the existing payphone operating requirements in PU Code Section 742.

On October 6, 1999, the governor approved SB 669 establishing, among others, the PSP Committee in PU Code 279 and the PSP Committee Fund in PU Code 270 (a)(5). This proposed bill eliminates both of these code sections because in D.08-06-020 the Commission found the PSP Committee and the associated fund to be no longer functional and therefore ordered their elimination. The PSP Committee Fund was established to be utilized exclusively by the Commission for the PSP Committee, including all costs of the board and the commission associated with the administration and oversight of the program and the fund. After the PSP Committee ceased operations and asked the Commission for its dissolution, the associated fund also became unused and no longer functional. The funds are no longer in the Commission's budget and the Department of Finance is in the process of administratively eliminating the fund and will transfer any remaining monies in the fund (approximately \$5,000) to the General Fund.

SB 50 (Lieu) was passed in 2013, revising PU Code section 741 to broaden the requirement for signage disclosures for coin-activated telephones to apply to public-use telephones accepting any form of payment (including credit or debit cards). It also modified PU Code sections 742(a), 742(a)(1) and 742.3 to allow the Commission to adopt and enforce operating requirements for public-use telephones accepting any form of payment.

PROGRAM BACKGROUND

The PSP Committee is the only program impacted by this bill. This committee is no longer functional; therefore, removal of this code section will not have any impact on the group.

OTHER STATES' INFORMATION

Not available.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION

This bill should be supported for the following reason(s):

- (1) The bill seeks to remove code sections which established the PSP Committee and its related fund. The PSP Committee is no longer functional and the funds are no longer in the Commission's budget and the Department of Finance is in the process of administratively eliminating the fund and will transfer any remaining monies in the fund (approximately \$5,000) to the General Fund.
- (2) The PSP Committee has been defunct for nearly 10 years. The Committee itself recommended abolition of the Committee in a letter to the Commission in June 2006, due to a lack of public interest. In D.08-06-020, the Commission eliminated the Public Policy Payphone Program (Ordering Paragraph No. 21) and the Payphone Enforcement Program surcharge (Ordering Paragraph No. 19); resulting in their recommendation that Public Utilities Code section 279 was no longer needed (footnote No. 152).

SUMMARY OF SUGGESTED AMENDMENTS

No recommended amendments.

STATUS

Referred to Senate Energy, Utilities Communications

SUPPORT/OPPOSITION

None on file.

VOTES

Not applicable.

STAFF CONTACTS:

Hazel Miranda, Director
Nick Zanjani, Senior Legislative Liaison
Michael Minkus, Senior Legislative Liaison
Lori Misicka, Legislative Liaison
Ivy Walker, Legislative Liaison

Hazel.Miranda@cpuc.ca.gov
Nick.Zanjani@cpuc.ca.gov
Michael.Minkus@cpuc.ca.gov
Lori.Misicka@cpuc.ca.gov
Ivy.Walker@cpuc.ca.gov

BILL LANGUAGE:

SB 1055 (Hueso), as introduced February 16, 2016, Payphone Service Providers Committee.

http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160SB1055